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How to Be a Leader Who Stays True to Their Ethics

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Summary.

Honest conversations are a crucial tool in helping leaders and their organizations successfully act on their ethical ambitions. If you aspire to lead ethically and with high purpose, first turn inwards. Take the time to have an honest conversation with yourself to help figure out what matters to you, and where your ethics lie. Next, align your senior team. Third, be prepared to be derailed. Unfortunately, at some point, pressure to meet shareholder expectations will derail your aspiration to lead with a higher purpose and values. And finally, don't wait for the whistle to blow.

In September 2016, Wells Fargo announced that it would pay \$185 million to settle a lawsuit filed by federal regulators and the city and county of Los Angeles, admitting that employees had opened as many as 1.5 million accounts without customer authorization over a five-year period. These unethical practices resulted in an immediate drop the company's stock prices and it continued to underperform by a significant margin.

Wells Fargo's CEO attributed the banking scandal to bad apples at the company who were fired (some 5,000). But former workers spoke out, saying that they were fired despite being "good apples" who had contacted the company's ethics hotline with concerns about fraud and an unhealthy sales culture. Several employees said they were fired after blowing the whistle.

This massive breach in ethics, one of the largest in recent years, stands in contrast to the company's then-publicly stated mission to "satisfy our customers' financial needs and help them succeed financially." Sadly, even authentic, high-purpose CEOs and their companies can succumb to short-term pressures for profits.

Throughout my consulting work, I've discovered that honest conversations are a crucial tool in helping leaders and their organizations successfully act on their ethical ambitions. If you're a CEO who aspires to lead ethically and with high purpose, consider the following strategies.

Start within.

The road to your higher ethical ambition starts with personal reflection about your values and purpose in life. Take the time to have an honest conversation with yourself to help figure out what matters to you, and where your ethics lie.

To start, write down key decisions you made in your life (for example, choice of job, spouse, and friends) and then ask yourself what motivated these decisions and what they say about you. For example, a newly appointed division manager, trained in accounting, reflected on why he chose to work for his company despite better offers and realized that it was the friendly, collaborative, and ethical culture. He then used this information to help define who he wanted to be as a leader.

Align your senior team.

Start a conversation with your senior team members. What are their aspirations for the kind of company they want to create? This type of discussion will allow you, the leader, to test your own advocacy, and then lead your team to a consensus statement. Here's how one CEO went about developing his company's statement of purpose:

In one of my first meetings with the senior team, we talked about what kind of legacy we wanted to leave. The team had a lot of energy for this. Everyone had something to say about it, and we put all the ideas up on the wall. We then looked for commonalities around what kind of difference we wanted to make. All of the ideas had to do with people, touching people in a positive way, and giving people a chance to grow. Today, we don't talk about vision, but about the legacy we are trying to build.

Be prepared to be derailed.

Unfortunately, at some point, pressure to meet shareholder expectations will derail your aspiration to lead with a higher purpose and values. Research shows that there is an inevitable gap between what we humans espouse and what we actually do. The same is true for CEOs and their companies.

Don't let your organization get caught off guard when things don't go as planned. Schedule routine conversations to check-in on your organization's ethical ambitions. I'll explain more about how to execute this in the next section.

Don't wait for the whistle to blow.

In too many companies, lower-level employees fear speaking truth to power about misalignments with purpose and values. To help combat this, my colleagues and I

developed the strategic fitness process — a structured process that allows senior managers to lead conversations that uncover the whole truth about how their organization *really* works. It also helps senior management rest easier, knowing that they are not just waiting around, hoping the whistle doesn't blow.

To understand what the strategic fitness process looks like in action, let's look at a company that discovered that their practice of quarterly channel-stuffing (shipping large amounts of unrequested products to distributors) was inconsistent with their values and purpose, and was in turn, damaging distributor and employee trust, loyalty, and commitment, and not surprisingly performance.

To start the strategic fitness process, the CEO and his senior team first developed a two-page statement of direction that communicated their strategy and values. Then, a task force of eight was commissioned to interview 100 people in the organization — key leaders and individual contributors two to three levels below the top — about the alignment of the organization with their stated strategy and values. At this part of the process, organizational strengths and barriers to executing their direction, including channel stuffing, were identified.

They then held a structured meeting where they laid out ground rules — no blaming, defensiveness, or emotional outbursts — that allowed the task force to report honestly on the barriers they found. The structured conversation helped the CEO and senior team truly listen and understand the issues. As the CEO later said, “The truth was compelling, and it made clear we had to act and on what to act.” Channel stuffing was suspended immediately even though quarterly earnings for the year would not match Wall Street expectations, and the stock price would suffer a decline. Moreover, it stopped a practice that later became illegal and for which a company in the same industry was fined \$800 million.

Consider what the CEO and senior leaders of Wells Fargo might have learned if they wanted to. They would have had the chance to change unethical practices, instill pride in and commitment to the company by employees and other stakeholders and avoid financial and reputational damage before the whistle was blown. If you aspire to lead ethically and with high purpose, you must consistently have these honest conversations with yourself, your team, and your organization.

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